



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 5, 2001

To: Richard Popper, Chair
Audit Committee

From: Patrick McMahon 
Assistant Auditor-Controller

Subject: **DHS' Public/Private Partnership Program – Follow Up**

As requested, we have conducted a second follow-up on the implementation status of the recommendations contained in our July 9, 1999 report on the Department of Health Services (DHS) Public/Private Partnership (PPP) Program. The PPP Program, administered by DHS' Office of Managed Care (OMC), provides primary health care and case management services to low-income, uninsured patients at private facilities and County health centers through private providers.

In our first follow-up (report issued December 8, 1999), we concluded that OMC needed to take additional actions to fully implement the four recommendations we reviewed. During our current follow-up, we found that OMC has taken some additional actions. However, additional actions are still needed to fully implement the recommendations as discussed below.

Recommendation 1

DHS/OMC conduct fiscal monitoring of the PPP providers.

Current Status:

In November 1999, OMC initiated the development of a fiscal monitoring program and began hiring and training staff. In March 2000, OMC began fiscal monitoring of the PPP providers. Since then, OMC has conducted reviews of 12 of the 61 providers. OMC stated the reviews focused on providers reported to have significant problems.

Based on the number of reviews conducted to date, it would take OMC over five years to review all providers. OMC stated that they have requested additional monitoring staff, one position for FY 2000/01 and two positions for FY 2001/02. With the additional staff, OMC believes it will be able to conduct yearly fiscal reviews of each provider. OMC needs to ensure its monitoring efforts/staff provide adequate fiscal monitoring coverage, especially if DHS expands the number of PPPs, as anticipated in its 5-Year Strategic Plan.

We also noted that, to date, OMC has only issued one final report and two draft reports for the 12 fiscal reviews conducted. For eight of the remaining nine reviews, fieldwork was completed between four and seven months ago. To ensure that corrective actions are taken promptly, OMC must ensure that fiscal reports are issued timely. OMC stated they are in the process of developing a formal policy relating to the issuance of PPP fiscal reports.

Recommendation 4

OMC discontinue the practice of paying the case management fee when case management services are not provided and revise the PPP Provider Manual accordingly.

Current Status:

We confirmed that American Insurance Administrator, the PPP claims adjudicator, has added the appropriate edit checks to ensure the case management fee is paid only if the appropriate diagnoses codes and case management codes are included on the claim form. OMC still needs to revise the PPP Provider Manual.

Recommendation 2

OMC recoup any remaining overpayments from providers through the methods allowed in the PPP contract.

Current Status:

OMC has collected \$263,994 of the \$565,112 outstanding overpayments and referred \$167,035 to the Treasurer and Tax Collector for collection because the provider declared bankruptcy. OMC is attempting to resolve the remaining \$134,083 overpayment due from one provider. DHS' outside counsel recently concluded that the claims this provider intended on using to offset the overpayment cannot be accepted because the alternative financial screening process used does not meet federal standards.

Recommendation 8

OMC monitor to ensure that all PPP providers accurately record all services provided on the claim form.

Current Status:

OMC does not monitor to ensure the PPP providers accurately record all services on their claim forms. Based on our review of billings from ten providers, only three providers appear to be including all services on their claim forms. All services should be accurately reported to assist the County in evaluating the type of services provided. OMC needs to monitor for compliance.

If you have any questions, please call me at (213) 974-0301 or Kathy Markarian of my staff at (213) 974-0339.

PTM:KM

c: J. Tyler McCauley, Auditor-Controller
Mark Finucane, Director, DHS
Sachi Hamai, Chief, DHS Inspection and Audit
Audit Committee